



State of Utah

Department of Natural Resources

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Executive Director

Division of Oil, Gas & Mining

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Division Director

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Lieutenant Governor

August 12, 2005

Mr. Robert Jornayvaz
Moab Salt, LLC
1801 Broadway, Suite 800
Denver, Colorado 80202

Subject: Collateral Bonding Proposal; Moab Salt, LLC; Cane Creek Mine;
M/019/005; Grand County, Utah

Dear Mr. Jornayvaz:

The Division of Oil, Gas and Mining has reviewed your proposal to provide a collateral bond for the Cane Creek Mine. Collateral bonds are allowed by the Utah Mined Land Reclamation Act, but as you can surely understand, they pose a large risk.

We have several questions and concerns about the property that would be used and about the securities.

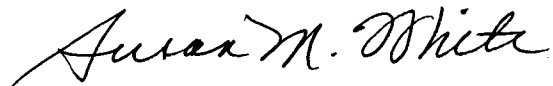
1. The south parcel includes some of the mine facilities, and the land with these facilities cannot be used as collateral.
2. The bonding workbook published by the Office of Surface Mining, Reclamation and Enforcement suggests applying a minimum 25 percent reduction from appraised value when real estate is used as collateral. In the event of forfeiture, the Division would sell the land at public auction, reducing further the monies actually realized from the sale.
3. Has an environmental audit been conducted on any of the property? What liabilities might the Division have if it acquired the land in a forfeiture?
4. What oil, gas, mineral, or other development has occurred or is anticipated on the two properties? How will this affect the value? Who owns the mineral rights?
4. Is money in the Money Market Accounts federally insured?

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5. What is the history of the securities account? How much has it varied in the past five years? We would probably want to apply a reduction figure—perhaps 25 percent—similar to what would be used for the real estate.

We would be happy to discuss these questions and concerns and to see what alternatives may be available. Please contact me at (801) 538-5258 if you would like to arrange a meeting. Thank you for your continued cooperation.

Sincerely,



Susan M. White
Mining Program Coordinator

SMW:PBB:jb

cc: Will Stokes, SITLA

Blain Rawson, Holme, Roberts and Owen

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